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ABSTRACT

The Pennsylvania Association of Colleges and Universities, composed of 117 Pennsylvania colleges and universities--public and private, community colleges and complex universities, state-related universities and state-owned colleges, calls for public support for Pennsylvania private colleges. It recognizes that tuitions in the public sector should not be increased beyond their already high levels. The objectives of development and implementation of methods and systems for financing higher educational programs are: (1) public needs; (2) accountability; (3) quality and efficiency; (4) advanced planning; and (5) educational opportunity. Criteria for selecting methods of financing are: (1) diversity of choice; (2) functional accountability; (3) a commonwealth system; (4) sound management practices; (5) selectivity of support; (6) shared fiscal responsibility; (7) adaptability and flexibility; and (8) legal and constitutional concerns. The various methods of financing higher education-federal government, state government, student aid, and institutional aid--all have different implications. (Author/KE)

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A COMPREHENSIVE PROPOSAL FOR

FINANCING HIGHER EDUCATION IN PENNSYLVANIA

HE 007 779

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION

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F O R E W O R D

The adoption of this proposal for financing higher education in the Commonwealth of Pennsylvania by the Pennsylvania Association of Colleges and Universities is, in itself, an action which places Pennsylvania in the vanguard of public-private higher education cooperation which does not exist today in any of the other 49 states of this Nation.

The Pennsylvania Association of Colleges and Universities is composed of 117 Pennsylvania colleges and universities -- public and private, community colleges and complex universities, State-related universities and State-owned colleges. The member institutions are listed in this document. To achieve consensus for a document which calls for public support for Pennsylvania private colleges and a recognition that tuitions in the public sector should not be increased beyond their already high levels unquestionably gives this document national importance.

This document was developed by an Ad Hoc Committee on the Finance of Higher Education created by the Pennsylvania Association of Colleges and Universities on May 23, 1973. The Committee was chaired by Clarence R. Moll, President of Widener College. Serving with President Moll were: John W. Oswald, President, Pennsylvania State University; Edward D. Eddy, President, Chatham College; K. Roald Bergethon, President, Lafayette College; Clyde E. Blocker, President, Harrisburg Area Community College; and Gilmore B. Seavers, President, Shippensburg State College. Jerome M. Ziegler, Commissioner for Higher Education, Pennsylvania Department of Education, served ex-officio.

The Association expresses appreciation to the Ad Hoc Committee on Finance and to the superb writing team consisting of Stanley O. Ikenberry, Pennsylvania State University; Larry Leslie, Pennsylvania State University; John Clough, Franklin and Marshall College; with staff assistance of James A. Ream, Executive Director, Pennsylvania Association of Colleges and Universities; Frederic K. Miller, President, Commission for Independent Colleges and Universities; and Robert M. Knoebel, Executive Secretary, Commission for Community Colleges.

On November 8, 1973, this document was adopted unanimously by the Executive Committee of PACU with the public and private sectors of Pennsylvania higher education represented.

The Pennsylvania Association of Colleges and Universities offers this statement to the Governor of the Commonwealth, the members of the Pennsylvania House and Senate, the State Board of Education and the Pennsylvania Department of Education as they formulate public policy for the financing of this Commonwealth's most valuable asset . . . its resource for higher education.

William W. Hassler
President, Pennsylvania Association
of Colleges and Universities

President
Indiana University of Pennsylvania

January 16, 1974

INSTITUTIONAL MEMBERSHIP OF

THE PENNSYLVANIA ASSOCIATION

OF COLLEGES AND UNIVERSITIES

STATE-RELATED
Lincoln University
Pennsylvania State University
Temple University
University of Pittsburgh

STATE-OWNED
Bloomsburg State College
California State College
Cheyney State College
Clarion State College
East Stroudsburg State College
Edinboro State College
Indiana University of Pennsylvania
Kutztown State College
Lock Haven State College
Mansfield State College
Millersville State College
Shippensburg State College
Slippery Rock State College
West Chester State College

STATE-AIDED
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Dickinson School of Law
Drexel University
Pennsylvania College of Optometry
Pennsylvania College of Podiatry
Philadelphia College of Art
Philadelphia College of Textiles and Science
Thomas Jefferson University
University of Pennsylvania

JUNIOR COLLEGES
Harcum Junior College
Keystone Junior College
Mt. Aloysius Junior College
Valley Forge Military Junior College

COMMUNITY COLLEGES
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Butler County Community College
Community College of Allegheny County
Community College of Beaver County
Community College of Philadelphia
Delaware County Community College
Harrisburg Area Community College
Lehigh County Community College
Luzerne County Community College
Montgomery County Area Community College
Northampton County Area Community College
Westmoreland County Community College
Williamsport Area Community College

INDEPENDENT
Academy of the New Church
Albright College
Allegheny College
Allentown College of St. Francis de Sales
Alliance College
Alvernia College
Beaver College
Bryn Mawr College
Bucknell University
Cabrini College
Carlow College
Carnegie-Mellon University
Cedar Crest College
Chatham College
Chestnut Hill College
College Misericordia
Dickinson College
Dropsie University
Duquesne University
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Franklin & Marshall College
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Geneva College
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Holy Family College
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Lebanon Valley College
Lehigh University
Lycoming College
Marywood College
Mercyhurst College
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Moravian College
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Point Park College
Robert Morris College
Rosemont College
St. Charles Borromeo Seminary
St. Fidelis College
St. Francis College
St. Joseph's College
St. Vincent College
Seton Hill College
Spring Garden College
Susquehanna University
Swarthmore College
Thiel College
University of Scranton
Ursinus College
Villa Maria College
Villanova University
Washington & Jefferson College
Waynesburg College
Westminster College
Widener College
Wilkes College
Wilson College
York College of Pennsylvania

A COMPREHENSIVE PROPOSAL FOR FINANCING HIGHER EDUCATION IN PENNSYLVANIA

PREFACE

Chapter 4 of the April 15, 1971, statement "Proposals by the Pennsylvania Association of Colleges and Universities in the 1970's," represented a comprehensive plan for financing higher education in the Commonwealth. The objectives of the statement largely remain valid as do the criteria for selecting methods of financing. However, actions of the Federal government, reports of the various national study groups, changing enrollment patterns, and State developments suggest the need for a re-analysis of the methods of financing Pennsylvania higher education. This re-analysis is the purpose of this statement.

INTRODUCTION

A comprehensive higher education program in the Commonwealth requires an equally comprehensive system of finance. Although conventional college-age enrollment growth has stabilized, more people now seek more services from more Pennsylvania colleges and universities than at any time in our history. Expanded demands for services during the 1960's brought expanded costs, and as a result, many institutions of higher learning, public as well as independent, faced and are still facing unprecedented financial pressures -- some of crisis proportion. Many independent institutions have achieved financial stability for the short run, but only at considerable cost to institutional vitality. The long-term financial outlook depicted in the McKinsey Study (1) remains

(1) Study of the Financial Condition of Independent Higher Education in the Commonwealth of Pennsylvania (Commission for Independent Colleges and Universities, 1971)

unchanged. Within this context, it is essential that the objectives of the higher education financial policy be understood, that the criteria against which alternative methods of finance are judged be made explicit, and that a comprehensive and integrated program of finance be projected.

OBJECTIVES

Five principal objectives must be achieved in the development and implementation of methods and systems for financing higher education programs in the Commonwealth. It is essential to insure that:

1) Public needs and social responsibilities are met;

2) Institutional accountability is maintained;

3) High quality higher education services are provided at the lowest reasonable cost;

4) Adequate advance planning is available to students and to institutions to insure full educational opportunity and program effectiveness;

5) Equality of educational opportunity is achieved.

Public Needs

The principal objectives to be achieved through the investment of public funds in higher education is the satisfaction of public needs and the fulfillment of public responsibilities. It is the responsibility of society to insure that each individual is able to develop his talents to the fullest. It is also essential to meet the needs of society for highly-trained professional persons for scientific, technological and social discoveries and innovations. Diversity -- among higher education institutions, in educational programs, and in opportunities for personal choice -- is essential if the needs of individuals and the needs of society are to be met. Policies of higher

education finance are effective to the extent that they sustain this diversity and enable colleges and universities to be responsive to public needs and priorities.

Accountability

It is essential that policies and methods of finance insure public accountability for the use of public funds. The expenditure of public funds can only be made in terms of the realization of public purposes. Whether public funds are invested in public institutions, or in independent colleges and universities, or whether grants and loans of public monies are made to assist students, the purposes for which such funds are invested must be made explicit and in accord with public needs and priorities. Public accountability therefore requires that methods of financing insure a direct relationship between the allocation of funds and the realization of purpose.

Quality and Efficiency

Third, policies and methods of finance must insure both quality and economy in higher education programs and services. At no time in their history have American colleges and universities faced greater challenges to improve their effectiveness and to lift the quality of their services to society. Simultaneously, colleges and universities are pressured to increase their efficiency, productivity and economy of operations. Quality and efficiency go hand in hand, for improved effectiveness of higher education programs will be possible only if adequate resources are available, but resource requirements are so extensive that they must be accompanied by greater efficiency and economy of operation. Within this context, policies and methods of higher education finance must insure that higher education services of high quality

are provided to the citizens of the Commonwealth and that these services are made available at the lowest reasonable cost, without unnecessary duplication and with maximum efficiency and economy.

Advance Planning

It must be the aim of public policy and methods of higher education finance to enable adequate advance planning by students and by institutions. The inability of students to plan their finances in advance and to anticipate their options with some assurance leads to uncertainty and, for many, to a potential weakening of educational opportunity. Advanced financing planning is equally essential to institutions and to the public interest.

Equality of Educational Opportunity

It is essential that policies and methods of finance insure equal access to higher education institutions. Nationally, students from the higher-income groups are far more likely to attend college than are lower-income students. Increasingly, students from middle-income families face financial barriers to college attendance. These financial barriers must be removed to insure equality of higher educational opportunity. In addition to financial barriers, certain students, because of prior experiences, may have educational handicaps that prevent them from gaining access to equal opportunity in our society. Finally, equality of educational opportunity can be made available only if there is access to all kinds of institutions: public and independent, community college and university, large institution and small.

Criteria for Selecting Methods of Financing

If the above policy objectives are to be achieved -- insuring that public needs are met, that there is full public accountability, that both quality and economy are assured, that there is adequate advanced planning, and that quality of educational opportunity is maintained -- sound criteria must be available as guides to the selection and evaluation of alternative methods for higher education finance. The criteria as well as the policy objectives they are intended to achieve should apply regardless of the nature of the institution, public or independent, or its specific role in the comprehensive higher education program in the Commonwealth. Eight criteria are listed below:

1) *Diversity of Choice.* Diversity, pluralism, freedom of choice, and expanded higher education opportunity are available through the differentiated system of publicly-supported higher education and through the preservation of the contributions of public and independent higher education. Plans for financing Pennsylvania higher education should take a broad view of total higher education capacity, public and independent. The distinctive contributions of all components of the total programs should be sustained and strengthened.

2) *Functional Accountability.* Although institutional self-interest and the broadly defined public interest frequently will coincide, the statement of the public interest should be clear in the allocation of public monies to public or independent institutions.

3) *A Commonwealth System.* Unwise duplication and unnecessary proliferation of higher education programs and resources should be avoided. Differential functions among institutions must be respected. The Commonwealth should also be mindful of existing resources in independent institutions and utilize those resources when it is socially and economically sound to do so. While first priority must be given to the allocation of public funds in public institutions, the allocation of public funds to utilize resources of independent institutions in the public interest is also important in a coordinated State-wide program.

4) *Sound Management Practices.* Programs of assistance to public as well as independent higher education should encourage efficient

management, a high level of quality control, and sound planning at the institutional level. Policies and programs of assistance should not, for example, inadvertently bring about the raising of prices (tuitions), or result in an unintended misplacement of institutional mission or priorities, such as in areas of graduate, professional or technical education. Such goal displacement can increase rather than relieve cost pressures.

5) *Selectivity of Support.* Differentiated mission requires differentiated support. Not all colleges and universities, public or independent, can be assumed to serve equally the public interest or all public needs, nor should public funds be used to sustain at a subsistence level institutions that might better be dissolved or merged.

6) *Shared Fiscal Responsibility.* Multiple sources of institutional support sustain a quality of academic freedom and vitality not likely under a more restricted single source of institutional support. Public policy and programs should be designed to encourage institutions to develop multiple support systems and should stimulate rather than diminish the growth of traditional private support sources.

7) *Adaptability and Flexibility.* Public support programs should be flexible, open to changing conditions, and capable of public control. Equity, efficiency, and effectiveness require that programs, policies, and formulae for financial support to higher education be reviewed frequently and that they be changed appropriately to conform to changing societal needs, changing institutional mission and changing conditions in the total pattern of public and independent higher education.

8) *Legal and Constitutional Concerns.* Policies and programs of institutional and student support must be legally and constitutionally sound. If legal or constitutional barriers stand in the way of what would otherwise appear to be sound public policy, appropriate steps should be taken to modify the legal or constitutional structure, but it should not be violated.

Methods of Financing Higher Education

A comprehensive and effective program of higher education in Pennsylvania requires equally comprehensive and effective methods for allocating resources among institutions and students. Further, such a program must be designed in light of the most current knowledge and developments in higher education finance. Four major factors of a recent nature bearing on financing higher education are examined in the pages that follow: actions of the Federal

government, reports of the various national groups studying higher education, enrollment trends, and State developments. Recommendations are presented under two topics: Financial Aid to Students and Financial Aid to Institutions.

Actions of the Federal government have been to reduce institutional aid and to redirect Federal higher education resources to students. The Education Amendments of 1972 were hailed as landmark legislation in this regard. Basic Opportunity Grants (BOG's), similar to PHEAA need-based grants, rapidly are becoming the Federal government's primary vehicle for support to higher education. Although the size of grants awarded in the first year was small and grants were limited to freshmen, the Administration has requested major increases. All indications are that Federal appropriations for BOG's will increase several times over the next few years. The Education Amendments of 1972 also included inducements in the form of matching grants to states that increase their appropriations for need-based grants. The Amendments provide also for student-following grants to institutions, although this provision was not funded and a Senate amendment to renew the provision was abandoned in committee. Federal loans to higher education students have likewise been put on a need base. Graduate education would be funded on a student-per-capita basis.

Implications: (1) The Federal government is beginning to operate in the same area as PHEAA, although at present and in the foreseeable future Federal limits on the amount of support and number of students that can be aided is such that PHEAA must provide the major support to Pennsylvania students.

(2) Institutional grants from the Federal government have been cut drastically, especially for research universities, making it necessary for the states to continue to provide the bulk of institutional support.

(3) State financing policy is affected by Federal actions and intentions; state efforts should not duplicate Federal efforts.

(4) Students from middle-income families, for the most part, do not qualify for either Federal grants or loans. Further, they are faced with higher tuition resulting in part from escalating costs and the reduction of Federal grants to institutions.

(5) Federal matching grants to states may induce many states to increase appropriations for need-based student grant programs, particularly those states presently having only limited student grant programs.

(6) Student-following grants to institutions are unlikely to occur at the Federal level.

(7) For some institutions, it may be costly to accept Federal (or state) grant recipients. These students often require additional financial assistance and are a further financial drain on institutions because they require special counseli..g, expanded curricula, minority affairs offices, etc.

Various national study groups have, since 1971, issued comprehensive plans for the finance of higher education. Groups such as the Carnegie Commission and the Committee for Economic Development have given attention to the total higher education financial condition and to how each segment of finance relates to all others. These reports have aroused considerable public discussion and debate. Principal recommendations are that additional resources be directed to undergraduate student grants and loans and that maximum student grant amounts be raised. To free the necessary resources, they advocate that tuition in the public institutions be raised to the point that it represents

from one-third to one-half of the instructional costs, the specific amount depending on the document cited. The Carnegie proposal suggests that the tuition gap be reduced to the extent that private college tuitions represent two and one-half times public college tuitions. The reports generally consider the funding of graduate education properly to be the domain of categorical grants to institutions, computed on the basis of the number of graduate students enrolled.

Tuitions in the Commonwealth's colleges fall toward the upper end of the range of tuitions recommended by the study groups. State-related university tuitions are at or near the maximum recommended, being about one-half of instructional costs. State-owned institution tuitions constitute about 40 to 45 percent of instructional costs. Community college tuitions are approximately 50 percent of instructional costs. The ratio between tuition charges in the public and independent colleges and universities also approximates the recommendations of the national study groups.

Implications: (1) All major national reports are based on a "zero sum" assumption by which it is assumed that the total pool of resources available to higher education nationally will not expand significantly in the foreseeable future. Most reports, however, recognize regional and state differences and advocate equalizing actions on the part of many state governments which, the reports hold, should expand their higher education effort to seek priority with leading states.

(2) Pennsylvania, which ranks 42nd among the 50 states in the per capita amount directed to higher education and 45th when state per capita income is considered, should reasonably expect that state higher education funding will expand to gain parity with comparable states. This is not

to say that the rate of increase in state appropriations for higher education need be at the level of the 1960's. The era of tremendous enrollment growth is behind us; the campuses have largely been built and the needs of the great mass of new students have been met. Nevertheless, Pennsylvania has some major catching up to do in the support of higher education.

(3) Tuitions in Pennsylvania's public institutions are already near or beyond the recommendations of the various study groups, even though the study groups set target dates from five to ten years for the realization of their goals.

Changing enrollment patterns suggest many new considerations bearing upon higher education finance policy. Enrollment forecasts by the U.S. Census Bureau have been revised downward three times in the past three years. According to Census Bureau forecasts, enrollments would increase by three million in the 70's (most of which has already been realized), decrease by one million in the 80's, and increase again by 2.7 million in the 90's. A September report of the Carnegie Commission also revised downward its earlier enrollment projections in a similar fashion. The declining portion of white males attending college in the college-age group is an important factor (from 44 percent at its peak to 37 percent in 1973); but the primary reason for these downward forecasts in higher education enrollments is, at least for the next 20 or so years, an irreversible one: lowered birth rates.

Trends in Pennsylvania appear to be consistent with those observed nationally. Early data for 1973 show only an estimated .7 percent enrollment increase in the State-owned institutions, compared to a 1.8 percent gain in 1972. A substantial portion of institutions, including some independent

colleges, State-owned colleges and community colleges, experienced net enrollment declines in 1973-74. Among the four State-related universities, the 1973 enrollments are essentially unchanged.

If the national pattern is followed completely in Pennsylvania, the slight enrollment gains will be solely in terms of part-time students. Although the number of traditional full-time students nationally has dropped slightly, a "new" student clientele is emerging. These are the non-traditional students, some of whom are employed full time, some of whom are housewives, and some of whom are retired persons. They are motivated differently from traditional students, and they have somewhat different educational needs. Their needs represent the new demands to be met by higher education in the Commonwealth and policy must be formulated in light of this reality.

Implications: (1) Policy recommendations based on the assumption that there are or will be more students than places are not realistic. Enrollments in some Pennsylvania public and independent institutions are declining, leaving an unused capacity. Public policy must reflect the reality of stabilized and even declining college enrollments during the next decade.

(2) Facilities construction will become a far lower priority, although there will continue to be a need for building maintenance and repairs and occasional replacement. Renovation and remodeling will be necessary to serve changing functions.

State developments have been considerable since 1971, but two bear specific mention. Since the passage of Act 195, collective bargaining has entered the higher education scene in the Commonwealth. The entire State-owned system has been organized and now forms a single bargaining unit. Many

community colleges have become engaged fully in bargaining. The State-related universities are in varying stages of the process of collective bargaining.

Although costs continue to rise in all sectors, the community colleges experience particular difficulties because their per student reimbursements from the State are fixed by law. Further, certain community college programs that are particularly expensive are experiencing heavy demands as the job market shifts; and, with the expansion of non-traditional studies, new students are demanding new services. An added complication is that community college students, whose local and county governmental agencies have declined to join a community college financing district, must pay double tuition to make up for the one-third contribution expected but not received from sponsoring governments. Presently, there is little or no State supported incentive to expand the availability of community college services in areas where there are no community colleges.

Implications: (1) As might have been anticipated, the drafters of Act 195 were not able to foresee all the difficulties that were to arise as a result of collective bargaining. One major difficulty has been the timing of appropriations and the implementation of contracts. Presently, contracts are made operative prior to the appropriation of funds by the Legislature, causing serious problems of institutional management and uncertain conditions for faculty members.

(2) The existing legal limit of Commonwealth subsidy of $400 per full-time equivalent student for community college operation does not reflect increasing costs. It is especially inadequate to meet the costs of technical programs, considering rising costs and student demand.

(3) Programs of a non-traditional nature that are coming to serve higher education's "new students" are not supported adequately by present financing schemes.

(4) Students residing in non-sponsoring community college districts are unfairly treated in terms of the high tuitions they must pay. While enrollment trends may limit the need for starting of new campuses, equal student access must be guaranteed through utilizing existing facilities more effectively to deliver educational services.

Recommendations

The following recommendations are organized in three parts. First are suggestions related directly to students. Second are recommendations concerning institutional grants, and third are suggestions concerning tuition policies.

Financial Aid to Students: Recommendations

The costs of attending college have increased dramatically over the last decade. Tuition charges, no matter how modest, have served as a barrier to college attendance for some students. The cost of living away from home can further restrict student choice among institutions and may, in fact, make a college education for many students unlikely or impossible. The Commonwealth has the obligation to assist in the development of each person's full potential and to meet the complex manpower needs of our society. It, therefore, also has an obligation to insure that there is equitable access to Pennsylvania's higher education programs, regardless of ability to pay, for all citizens of the Commonwealth who can benefit from study at the college level.

The Pennsylvania Higher Education Assistance Agency is designed to assist students who, without Commonwealth assistance, would not be able to enroll in the institutions of higher learning of their choice. Thousands of Pennsylvania residents have been able to obtain a college education as a result of this program. Even with its successes, further improvement and expansion of the program are recommended if it is to serve fully the needs of students and of the Commonwealth. The following recommendations are advanced:

(1) The maximum PHEAA grant should be raised to $2,000 and the family income ceiling should be raised to $20,000. State grants to low-income students are too small to allow adequate freedom of choice among institutions. The increasing financial burden is coming to rest on middle-income students who should now be granted some State subsidies.

(2) Efforts should be made to achieve more effective correlation of all forms of student aid from Federal, State and local sources. Appropriations should be made in time for student awards to accompany offers of admission. A closer correlation of information collection and utilization between PHEAA and institutions should be explored.

(3) Expansion of the PHEAA program should attempt to take advantage, where practical, of Federal inducements for additional State initiatives in this area. Although it is always difficult to anticipate Federal actions, the existing Federal legislation would, if fully funded, match State initiatives in the student grant area on a dollar-for-dollar basis.

(4) The Commonwealth should exercise the initiative in urging other states to establish reciprocal arrangements to allow students to transport State grants across State lines. Presently, Pennsylvania exports far more dollar support for higher education than it imports, largely due to the

restrictive policies of most bordering states. The net outflow is about $7.5 million. If after concerted effort reciprocity is not brought about, present policies should be reassessed and priorities revised with limitation to reciprocating states.

Financial Aid to Institutions: Recommendations

It is essential that effective methods of financing higher education institutions be devised to insure that public needs and priorities are addressed and fully met, that tuition and fee charges are conducive to the fullest possible higher educational opportunity, that institutional accountability is insured and that high quality programs and services are provided at reasonable cost.

The Commonwealth Master Plan for Higher Education defines the primary responsibilities of the Commonwealth Universities, the State-owned colleges and university, and the community colleges in Pennsylvania. As set forth in the Plan, Pennsylvania must place first priority on maintaining a strong and viable public higher education sector, responsible to Commonwealth needs. Only through enlightened public support can these institutions continue to provide the educational quality and equity essential in Pennsylvania.

The cost of attending college presents a problem to the vast majority of students and their families. The great bulk of college students come from families of low and middle incomes. They depend upon relatively low tuition levels and on adequate financial aid. Even though a small proportion of students may be able to pay more, there is profound democratic merit in having student bodies that are a mixture of all economic sectors. Moreover, the fundamental justification of public support of public higher education and

of a financial aid program for students in all institutions is that public benefit accrues from this education clearly in excess of personal benefit.

The Master Plan also considers the independent colleges and universities within the State as integral components of a comprehensive program. It reflects the historical concern for those independent institutions whose present and future capacity to render service and to meet new responsibilities has been instrumental to the total higher education effort. It is clearly in the public interest to sustain access to and insure the contributions of Pennsylvania's independent colleges and universities, which now educate over 42 percent of all our higher education students.

Public as well as independent institutions have a special obligation to insure that full educational opportunity is available to students who have been disadvantaged by virtue of limited financial resources or by prior educational handicaps. Financial aid for disadvantaged students must be made available, but equally important is the need to provide special educational programs, counseling and remedial work to help these students overcome prior educational inadequacies. Financial support must be allocated to institutions, public and independent, to support the development and operation of effective programs in this area.

Within this context, the following recommendations are offered:

(1) Over the next decade, total State expenditures for higher education in the Commonwealth should be increased to gain parity with the national norm. Per capita expenditures by State government for higher education are unusually low relative to other states, largely because the significant independent sector has assumed much of the responsibility and because of the relatively high tuitions paid in the public sector.

(2) State financing patterns should be designed with full cognizance of the direction of Federal legislation. In order to conserve the higher education resources of the Commonwealth, State legislative aims should reflect an awareness of the higher education funding thrusts of the Federal government.

(3) Institutional incentives for capital improvements (e.g., interest-free construction loans) should be studied carefully to place greater emphasis on renovation and change of function. Present uncertainties in enrollments and projected declines in the rate of enrollment growth suggest the wisdom of this policy.

(a) It is recommended that interest-free loans be provided in independent and public institutions for approved projects in which the public need can be clearly demonstrated.

(4) The current institutional grant program to provide special educational assistance to disadvantaged students (Act 101) should be reviewed and, where appropriate, revised to increase institutional flexibility in the administration and operation of such programs and to insure full funding. The costs incurred in providing services for disadvantaged students are in excess of the amounts provided by Act 101. While not all institutions should attempt to provide special programs for disadvantaged students, those institutions having made this commitment must have the freedom and encouragement to develop programs tailored to be effective in a given institutional setting.

(5) The Council of Higher Education, with the support of the Pennsylvania Association of Colleges and Universities, should urge vigorously that the General Assembly solve the problem of advanced authorization of appropriations to institutions and to PHEAA. Action on appropriations tends

to come six months to a full year later than needed for sound planning and operations. Personnel decisions, including salary planning, are difficult and confusion and waste result when institutions do not know what their appropriations will be. During strategic times of the year, when decisions involving employment of faculty, the setting of admissions policies, the ordering of equipment, and the scheduling of classes are made, fiscal uncertainties often result in less than optimal decision making.

For many institutions, late legislative appropriations complicate the settlement of collective bargaining contracts. The present situation results in severe management problems and faculty uncertainty. It is to the advantage of all parties that final collective bargaining agreements be reached, where possible, following legislative action on appropriations.

(6) Public policy and programs should be designed to stimulate rather than diminish the growth of traditional private support. The effectiveness of higher education institutions, both public and independent, has been enhanced by the long tradition of private gifts and grants. The existing pluralistic form of institutional support has sustained a quality of academic freedom and institutional independence that would have been impossible if institutional support had been restricted to a single source.

(7) In the allocation of public funds, first priority must be given to supporting public institutions. The Commonwealth has worked to construct the basic elements essential to a viable system of public higher education and that system must be preserved.

(8) State financing policy should recognize that priority funding for public institutions must be clearly upon the institutional grant mode. Federal policy has selected direct student assistance as its primary vehicle for

support to higher education, with the assumption that the states will accept responsibility for institutional funding. The reports of the various national study groups also recommend this division of financing responsibilities by the separate governments.

(9) Immediate efforts should be directed to the development and perfection of differentiated formulae as primary guides for arriving at appropriations for the State-owned and State-related colleges and universities in the Commonwealth. Different formulae are required for each of the two major segments in order to insure that purposeful differences in functions among public institutions are reflected. The funds allocated to each institution must be appropriate to the particular functions of that institution.

(10) The existing legal limitation of Commonwealth subsidy of $400 per full-time equivalent student for annual operating costs of community colleges should be raised. The legal limitation should be reviewed and, if necessary, revised annually to insure that the legal limitation on costs does not restrict community college programs.

The existing legal limitation for specialized career programs should be raised to $1,700 per full-time equivalent student. Of critical importance to Pennsylvania's community colleges is passage of legislation that would help to cover the rising costs of these relatively expensive programs.

(11) Consideration should be given by the State to the possibility of providing support to help cover the expensive first phase of development of community college services. Such support would enable institutions to broaden their program offerings, particularly in non-traditional areas, and serve more fully the cause of open access and equal opportunity in Pennsylvania higher education.

(12) Act 346, providing for post-secondary institutes in connection with area vocational-technical schools, should not be implemented. The State already has an adequate educational system for meeting the needs to be served by this bill. Pennsylvania can ill afford further proliferation of college level educational programs.

(13) Legislation should be enacted to allow a "charge back" to the county or to the school district in which the student resides, the sponsor's share of normal tuition and fees from non-sponsoring districts. This would allow the charging of regular tuitions to these community college students.

(14) In the allocation of public funds to independent institutions, student-following grants (supplemental institutional assistance grants) should be funded at a level that will, in part, compensate independent institutions for the costs of educating holders of PHEAA need-based grants. The education of these Pennsylvania students with financial need is clearly in the public interest. The sum of $600 should be awarded to independent institutions for each PHEAA grant recipient enrolled. Such grants are to be administered by the Pennsylvania Higher Education Assistance Agency.

(15) A system of contracts should be established in Pennsylvania to provide direct assistance to independent institutions in accord with defined public needs not met in the public sector. The unused capacity of the independent sector should be utilized where the public sector is deemed insufficient. Therefore, although priority in funding must be to the public sector, some independent colleges might well assume a supplementary public role and be financed accordingly through contracts.

(a) The State should continue to assist with the operating costs of the presently State-aided institutions while converting to the contract mode for these institutions.

(b) Proposals for the creation of new academic programs or the expansion of existing ones through the contract mode should be considered in light of present or possible future unused higher education capacity in the Commonwealth.

(16) It is recommended that the legislation establishing the Pennsylvania Higher Education Facilities Authority be continued. The Authority assists in the financing of construction of capital facilities at independent institutions of higher education through the sale of long-term bonds, repaid through a pay-as-you-go lease-back system of capital investment.

Tuition Charges: Recommendations

Students enrolled in Pennsylvania colleges and universities, public and independent, already carry a major share of the costs associated with college attendance, including tuition, books and educational materials, living expenses, and income lost by leaving or not entering the labor market. Of these costs, tuition charges are among the most visible and can present significant barriers to freedom of access to higher education opportunity. As pointed out earlier, an effective program of financial aid to students is essential to meet this problem. It is also essential, however, that tuition and fee charges be kept as low as possible to assure the widest possible access to higher education.

(1) For the foreseeable future, tuitions in the public institutions of the Commonwealth should not be raised above their present already high levels. Appropriations to Pennsylvania public colleges and universities must be made with the full recognition that tuition levels are already high -- among the highest in the Nation's public institutions -- and are

presently in line with or above national guidelines. Higher tuition would exclude even more students from middle-income families from equal educational opportunity. Public support of public colleges and universities in Pennsylvania is essential if the major public policy objectives advocated in this statement are to be achieved.

(2) Concerted efforts to control tuition increases are being and should be made by independent colleges and universities. Adoption of a program of supplemental institutional assistance grants to independent institutions serving PHEAA grant holders and the implementation of a system of contracts, both recommended herein, should assist independent colleges in achieving this goal.